

What's New?

License Renewals and Officer Changes

Nonprofit organizations which have tax exempt status under section 501(c)(5), (c)(7), (c)(8), (c)(10), (c)(19), and volunteer fire companies or volunteer first-aid, rescue, ambulance, or emergency squads should have received their renewal applications in mid-June to renew their licenses for the October 1, 2004 through September 30, 2006 license period. Renewal applications were to be filed no later than August 15, 2004. If you are a pickle card operator, please note your current license expires September 30, 2005; thus, you are not required to renew this year.

Nonprofit organizations with tax exempt status under section 501(c)(3) and (c)(4) will not renew their licenses this year. However, these organizations should have received a blank copy of the appropriate officer page to report any changes in their officers occurring since the last renewal period.

Please remember that licensees are responsible for keeping all licensing information on file with the Charitable Gaming Division current. Any changes which occur during the licensing period must be promptly reported to our office. If you need to report changes, please contact *Carri Fitzgerald* at (402) 471-5949 or *Mary Gropp* at (402) 471-5939 to obtain the proper form.

STAFF SPOTLIGHT

*There is a new employee on the block and his name is **James Jehorek**. James first*



started working for the State as an intern in the Motor Fuels Division while attending college at the University of Nebraska - Lincoln. This is where he earned a BSBA with an emphasis in accounting. He

started in Charitable Gaming on March 6, 2004 as an Audit Associate.

One of James' responsibilities as an Audit Associate is to review reports provided by the distributors and licensed organizations. James' education and past experiences make him a knowledgeable individual and a valuable employee to our Department.

James and his wife, Jennifer, were married on August 30, 2003. They were born in Grant, Nebraska and raised in Brule, Nebraska. They welcomed their first child into the world on September 1, 2004 and are the proud parents of Alex James. James enjoys working for the Gaming Division and is looking forward to working with you.

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NEBRASKA DEPARTMENT OF REVENUE

State Tax Commissioner — Mary Jane Egr

Director of Charitable Gaming and Investigative Services — Jim Haynes

Charitable Gaming Managers — Gerald Otoupal and Steve Schatz

WHO TO CONTACT FOR:

◆ Audits, Annual and Quarterly Reports, and Tax Returns

Gerald Otoupal	(402) 471-5940	gotoupal@rev.state.ne.us
Gene Weiner	(402) 471-5953	eweiner@rev.state.ne.us

◆ Pickle Card Receipt Books

Barb Bauhof	(402) 471-5937	bbauhof@rev.state.ne.us
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◆ Licenses, Authorizations, Permits, Device Decals, and Forms

Carri Fitzgerald	(402) 471-5949	cfitzger@rev.state.ne.us
Mary Gropp	(402) 471-5939	mgropp@rev.state.ne.us
Gail Ross	(402) 471-5955	gross@rev.state.ne.us

◆ Bingo, Pickle Card, and Lottery/Raffle Game Conduct

Deb Weber	(402) 471-5944	dweber@rev.state.ne.us
Steve Schatz	(402) 471-5943	sschatz@rev.state.ne.us

◆ County/City Lottery Game Conduct

Linda Knox	(402) 471-5945	lknox@rev.state.ne.us
Steve Schatz	(402) 471-5943	sschatz@rev.state.ne.us

◆ Investigations, Fingerprints, and Complaints

Greg Schnasse	(402) 471-5941	gschnass@rev.state.ne.us
Mike Olsen	(402) 471-5948	molsen@rev.state.ne.us

◆ Gaming Equipment Testing and Compliance

Kim Nelson	(402) 471-5947	knelson@rev.state.ne.us
Steve Schatz	(402) 471-5943	sschatz@rev.state.ne.us

◆ Legal Proceedings

Stacey Oliver	(402) 471-6193	soliver@rev.state.ne.us
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◆ Inspections

Gerald Otoupal	(402) 471-5940	gotoupal@rev.state.ne.us
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◆ Inspectors by Counties of Responsibility

Douglas:

Roy Abbott	(402) 595-2060	rabbott@rev.state.ne.us
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Adams, Boone, Butler, Clay, Fillmore, Franklin, Frontier, Furnas, Gosper, Greeley, Hall, Hamilton, Harlan, Howard, Kearney, Merrick, Nance, Nuckolls, Phelps, Polk, Red Willow, Seward, Thayer, Webster, York:

Carol Hiser	(308) 385-6021	chiser@rev.state.ne.us
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Blaine, Boyd, Brown, Buffalo, Custer, Dawson, Garfield, Holt, Keya Paha, Loup, Rock, Sherman, Valley, Wheeler:

Tim Moninger	(308) 385-5019	tmoninge@rev.state.ne.us
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Cass, Gage, Jefferson, Johnson, Lancaster, Nemaha, Otoe, Pawnee, Richardson, Saline, Sarpy, Saunders:

Jeff Oliver	(402) 471-5748	joliver@rev.state.ne.us
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Antelope, Burt, Cedar, Colfax, Cuming, Dakota, Dixon, Dodge, Knox, Madison, Pierce, Platte, Stanton, Thurston, Washington, Wayne:

Bob Shelbourn	(402) 370-3352	bshelbou@rev.state.ne.us
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Arthur, Banner, Box Butte, Chase, Cherry, Cheyenne, Dawes, Deuel, Dundy, Garden, Grant, Hayes, Hitchcock, Hooker, Keith, Kimball, Lincoln, Logan, McPherson, Morrill, Perkins, Scotts Bluff, Sheridan, Sioux, Thomas:

Ken Stute	(308) 632-1202	kstute@rev.state.ne.us
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Toll Free 1-877-564-1315	Local 471-5937	FAX (402) 471-5600
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Visit our Web site at: www.revenue.state.ne.us/gaming

Compulsive Gamblers Assistance — Problem Gambling Help Line 1-800-560-2126

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|---|---|
| • Gamblers Anonymous (Lincoln) (402) 473-7933 | • Gamblers 12 Step & Family (Omaha) (402) 978-7899 |
| • Gamblers Anonymous (Omaha) (402) 978-7557 | • National Council on Problem Gambling 1-800-522-4700 |

For information on problem gambling and how to get help in Nebraska, please visit the Nebraska Council on Compulsive Gambling at www.nebraskacouncil.com.

IRS - Exempt Organization Customer Account Services 1-877-829-5500

IRS - Exempt Organization Web site www.irs.gov/eo

Why Does Gaming Need My Social Security Number?

Because we live in an age of increasing concern over computer fraud and identity theft, many people have expressed concerns to us of late about why we require social security numbers on our license application forms. For what purposes do we use these numbers? What measures do we take to ensure that the information provided is secure? How do we keep the information from falling into unauthorized hands? The purpose of this article is to explain why we need these numbers, how we use them, and what steps we take to ensure their security.

When the federal government first started issuing social security numbers back in 1936, they tried to assure the public that the use of such numbers would be limited strictly to Social Security programs. Today, however, a social security number (SSN) is the most used record keeping number in the United States. SSNs are used for employee files, medical records, credit and banking accounts, and many other purposes. In fact, an SSN is now even required for all dependents over the age of one year, if the parents claim the child for tax purposes. Similarly, the Charitable Gaming Division uses SSNs to accurately keep track of its license holders and the regulatory requirements relating to them such as the payment of their licensing fees and the expiration date of the licenses they hold.

We also use SSNs to ensure that individuals do not hold multiple charitable gaming licenses

where prohibited by statute (for example, a licensed sales agent cannot also be a licensed utilization of funds member). Because computer files have replaced paper filing systems, and since more than one person may share the same name, accurate tracking and retrieval of certain information works best if each file is assigned a unique number. The social security number is perfect for this purpose. It also allows us to check criminal records, as the Legislature has deemed necessary, to ensure that undesirables are not involved nor have the opportunity to adversely affect the integrity of your gaming activity.

As a division of the Department of Revenue, the Charitable Gaming Division must adhere to strict policies and controls relative to the confidentiality and protection of social security numbers as well as other taxpayer information. Employees of the Charitable Gaming Division must annually review the Department's confidentiality policy, and provide written acknowledgment that they have done so. Additionally, the IRS routinely inspects the Department of Revenue, including the Charitable Gaming Division, to insure we are adhering to their stringent confidentiality requirements. Any employee who violates the Department's confidentiality policies is subject to disciplinary action and possible criminal prosecution.

While the gaming statutes do state that certain applications and reports filed by gaming licensees are deemed to be public information and therefore, available to anyone, please be assured that all social security numbers are concealed before the public can view or is provided with copies of such documents.

How Much Is Wagered?

ANNUALLY			QUARTERLY		
Time Period	Amount	Percentage Change	Time Period	Amount	Percentage Change
BINGO			BINGO		
07/01/02 – 06/31/03	\$16,558,843		01/01/04 – 03/31/04	\$3,976,189	
07/01/03 – 06/31/04	\$15,370,116	-7.2%	04/01/04 – 06/30/04	\$3,721,274	-6.4%
PICKLE CARDS			PICKLE CARDS		
07/01/02 – 06/31/03	\$62,559,488		01/01/04 – 03/31/04	\$14,984,528	
07/01/03 – 06/31/04	\$57,510,542	-8.1%	04/01/04 – 06/30/04	\$13,351,036	-10.9%
LOTTERY/RAFFLE			LOTTERY/RAFFLE		
07/01/02 – 06/31/03	\$5,168,480		01/01/04 – 03/31/04	\$1,053,839	
07/01/03 – 06/31/04	\$4,860,299	-6.0%	04/01/04 – 06/30/04	\$1,113,816	+5.7%
COUNTY/CITY LOTTERY			COUNTY/CITY LOTTERY		
07/01/02 – 06/31/03	\$179,518,452		01/01/04 – 03/31/04	\$47,651,553	
07/01/03 – 06/31/04	\$182,190,233	+1.5%	04/01/04 – 06/30/04	\$44,903,522	-5.8%

2004 LEGISLATIVE UPDATE

Gaming, Liquor, Taxes, and the Legislature

(Portions of this article are being reprinted with permission from the Unicameral Update — 2004 Session Review edition.)

Casinos — To Be or Not to Be?

Legislative efforts to regulate gaming and liquor in 2004 were highlighted by the Legislature's decision to place a proposal on the ballot to allow casino gaming in Nebraska.

LR 11CA, introduced by **Sen. Ray Janssen** of Nickerson, would allow the Legislature to authorize up to two casinos. It also would give local voters an opportunity to approve or disapprove of a casino in their county. The proposal stalled in the 2003 legislative session but was revived following a failed attempt to move **LR 14CA**, another casino



proposal offered by Lincoln Sen. DiAnna Schimek, through the legislative process.

LR 11CA was approved by the Legislature on a 31-16 vote. It will appear on the November general election ballot. Should the measure pass in November, the Legislature would still need to enact enabling legislation to provide for the authorization, regulation, operation, and taxation of casino gaming.

- ◆ Allows for the quarterly proration of liquor license fees for newly acquired licenses.



Tax Amnesty

The Nebraska Department of Revenue began conducting the Nebraska Tax Amnesty Program on August 1, 2004. This is available for businesses and individuals to report and pay unreported or under-reported Nebraska state taxes and local sales taxes that were due on or before April 1, 2004. Charitable gaming taxes are included in the amnesty. Applicants for amnesty will need to file an application by October 31, 2004 and, if approved, report and pay unreported taxes by December 31, 2004 or within 30 days of the amnesty approval date for under-reported taxes.

For information on the programs, applicable forms, and how to contact the Department, please visit the Department's Web site at **www.taxamnesty.nebraska.gov** or call 1-800-742-7474 (toll free in Nebraska and Iowa) or (402) 471-5729.

New Liquor Classifications

Since many of our licensees are also liquor license holders, we thought you might be interested in **LB 485**, sponsored by the General Affairs Committee. This bill, which becomes operative May 1, 2005, reorganizes the state's liquor licensing system and fee structure. Many of the fees had been unchanged since 1935. The bill simplifies the license application process, reducing the number of license classifications from 12 to five. The bill also:

- ◆ Allows retail liquor license holders to apply for catering licenses and raises the license fee from \$75 to \$100;
- ◆ Allows nonprofit corporations holding liquor licenses to sell to the public, in addition to members and guests;
- ◆ Limits counties to charging an occupation tax of twice the application fee to liquor license holders; and

Initiative Petitions

In addition to the Nebraska Legislature's proposed constitutional amendment to allow casino gaming in Nebraska, there were a number of initiative petitions which were circulated during the past several months by other groups seeking to place measures on the November general election ballot to further expand gaming in Nebraska. Only one of these groups, Keep the Money in Nebraska Committee, Inc. (The Committee), submitted the petition signatures to the Secretary of State's office by the July 2, 2004 deadline. The process, whereby the election commissioners and county clerks determine whether the petition signatures obtained in their county are valid, was recently completed. The requisite number of valid signatures were obtained and the propositions addressed in the petition will be on the November ballot.

The Committee filed four propositions with the Secretary of State's office. Propositions 1 and 2 are constitutional amendments whereas Propositions 3 and 4 are amendments to the Nebraska statutes.

PROPOSITION 1 is a proposed constitutional amendment to make it clear that voters have the right to authorize gaming by initiative petition. The amendment would add a new subsection to Article III, Section 24 of the Nebraska Constitution, regarding games of chance, lotteries, and gift enterprises; restrictions; parimutuel wagering on horse races; and bingo games stating the following:

(5) This section shall not apply to laws enacted by the people by initiative measures by which the people may, contemporaneously with the adoption of this subsection or at any time thereafter, provide for the authorization, operation, regulation, and taxation of all forms of games of chance.

PROPOSITION 2 is a proposed constitutional amendment which would require a 2/3 affirmative vote of the Legislature in order to repeal or change a law enacted by initiative.

PROPOSITION 3 permits Nebraska communities (counties, cities, and villages) to authorize games of chance within their community. A Gaming Commission consisting of five members appointed by the Governor and confirmed by the Legislature would be established to provide the necessary licensing and regulation of the operation of games of chance. The proposed statute would:

- ◆ Authorize games of chance consisting of any games which have the elements of chance, prize, and wager, including any wager to a slot machine, table game, counter game, or card game.
- ◆ Authorize the use of electronic and mechanical gaming devices.
- ◆ Authorize casinos within a city of the metropolitan class (population of 300,000 or more) and which location is within two miles of the border of Nebraska. No more than two casinos may be authorized per 300,000 in population. The City of Omaha is the only community which meets these criteria.

- ◆ Authorize gaming devices at licensed thoroughbred racetracks; the maximum number of devices at a licensed racetrack located within the City of Omaha would be 150; at all licensed racetracks the maximum number of gaming devices, in the aggregate, would be 700.
- ◆ Authorize gaming devices at strategic premises which is any location which is not a licensed thoroughbred racetrack and which is within a community which consents thereto, which location is within two miles of any highway which crosses this state from border to opposite border and which has at least 50 percent of its route through this state normally open to at least four paved traffic lanes, and which location is no closer than 50 miles from any other strategic premises and is no closer than fifty miles from any casino. Interstate 80 and US Highway 81 are the two highways within Nebraska which have at least 50 percent of their routes normally open to at least four paved traffic lanes. The maximum number of gaming devices at a strategic premise is 500.
- ◆ Authorize limited gaming devices at any premises at which it is lawful to sell alcoholic liquor for consumption on the premises. The maximum number of gaming devices per on-premises establishment is three except for one location within a city which may have up to 30 devices. A limited gaming device is an electronic gaming device which:
 - ✓ offers games of chance,
 - ✓ does not dispense currency or tokens, and
 - ✓ does not have a cash winnings hopper, mechanical or simulated spinning reels or side handle.
- ◆ Except for gaming devices at a casino, the number of gaming devices which may be authorized by a city or village is limited to one per 200 population or fraction thereof for the first 3,000 of its population, one per 500 population for its population between 3,000 and 50,001, and one per 1,000 for its population greater than 50,000.
- ◆ Except for gaming devices at a casino, the number of gaming devices which may be authorized by a county is one per 300 population in the unincorporated area of such county.

PROPOSITION 4 provides for the imposition of a tax on the gross gaming revenue. Gross gaming revenue is the dollar amount won by an authorized operator from the operation of a game of chance as computed pursuant to applicable rules and regulations, less the amount of all federal taxes (other than income taxes) imposed upon the operation of such game of chance.

- ◆ Tax rate is 36 percent of the first fifteen million dollars of gross gaming revenue and 20 percent of the gross gaming revenue in excess thereof.
- ◆ In the case of a casino, 75 percent of the tax is payable to the General Fund of the State of Nebraska, and 25 percent payable to the community which authorized such game of chance at such casino.
- ◆ In the case of any other location, 25 percent of the tax is payable to the General Fund of the State of Nebraska, and 75 percent payable to the community which authorized such game of chance.
- ◆ License fee of \$100 is required of each authorized operator payable to the General Fund.

The full text of each proposition may be found at the following Web site:

www.KeepTheMoneyInNebraska.com.

Editor's Comment: *The publication of information relating to expanded gambling proposals in Nebraska is being done as a service to charitable gaming licensees and other readers of CG News. It should not be construed as an endorsement of any proposal by the Department of Revenue nor should any inquiries regarding the proper interpretation of the proposals be directed to the Charitable Gaming Division. Questions regarding the Legislature's proposed constitutional amendment should be addressed to your State Senator. Questions regarding the Keep the Money in Nebraska Committee's propositions may be e-mailed to petition@keepthemoneyinnebraska.com or submitted via the Committee's Web site.*

Hey! Can I Smoke in Here?

Over the course of the past year, we have received a number of calls voicing concern and confusion over smoking policies at bingo occasions, especially in light of the recent action taken by the Lincoln City Council to ban all indoor smoking (with a few exceptions). However, as a result of referendum petitions filed by voters in protest of the City Council's action, the ordinance banning all indoor smoking has been suspended and will be submitted to the voters at a special election in November.



Please be advised that neither the Department of Revenue nor the Charitable Gaming Division has any regulatory jurisdiction over smoking policies whatsoever. Years ago, the Nebraska bingo statutes did make a reference to designated smoking areas, but because of the enactment of the Nebraska Clean Indoor Air Act in 1979, those provisions have long since been removed.

Any questions you have regarding smoking and/or the Nebraska Clean Indoor Air Act should be referred to the Nebraska Health and Human Services Department - Environmental Health Programs. You can contact *Todd Falter* at (402) 471-0782 or *Sara Morgan* at (402) 471-8320.

And one last word...you can most likely expect other cities to soon follow in Lincoln's footsteps; the Health and Human Services Department advises that several cities are investigating the enactment of local ordinances to govern indoor smoking.

Administrative and Court Actions

The following cases reached final administrative determination since the last issue of *CG News*.



In the Matter of Melissa Lautenschlager, Bloomington, Docket #2002-042. The Department of Revenue alleged that Ms. Lautenschlager had previously been convicted of a misdemeanor involving issuance of an insufficient funds check and as a result, sought to deny her county/city lottery worker license application. Following a formal hearing, Ms. Lautenschlager's application was denied pursuant to administrative order.



formal hearing, Ms. Moreland's application was denied pursuant to administrative order.



In the Matter of Wendy Elznic, Geneva, Docket #2003-009. The Department of Revenue alleged that Ms. Elznic had previously been convicted of misdemeanors involving issuing insufficient fund checks and as a result, sought to deny her county/city lottery worker license application. Following a formal hearing, Ms. Elznic's application was denied pursuant to administrative order.



In the Matter of Jennifer Coutts, Columbus, Docket #2002-043. The Department of Revenue alleged that Ms. Coutts had previously been convicted of a misdemeanor involving issuance of an insufficient funds check and as a result, sought to deny her county/city lottery worker license application. Following a formal hearing, Ms. Coutts' application was denied pursuant to administrative order.



In the Matter of Keri Chase, Elwood, Docket #2003-010. The Department of Revenue alleged that Ms. Chase had previously been convicted of a misdemeanor involving theft and as a result, sought to deny her county/city lottery worker license application. Following a formal hearing, Ms. Chase's application was denied pursuant to administrative order.



In the Matter of Wynona Hall, Hastings, Docket #2003-004. The Department of Revenue alleged that Ms. Hall had previously been convicted of a misdemeanor involving issuance of an insufficient funds check and as a result, sought to deny her county/city lottery worker license application. Following a formal hearing, Ms. Hall's application was approved pursuant to administrative order.



In the Matter of Toads Lounge, Alliance, Docket #2003-014. The Department of Revenue initiated an action to fine Toads Lounge \$1,000. In support of its motion, the Department alleged that Toads Lounge, a sales outlet location for the City of Alliance, had violated the Nebraska County and City Lottery Act by operating for approximately nine months without first obtaining a sales outlet location license. Toads Lounge waived its right to a hearing and paid a negotiated fine of \$500. An order dismissing the case was subsequently issued.



In the Matter of Antonio Acosta, La Vista, Docket #2003-007. The Department of Revenue initiated an action to fine Antonio Acosta \$100. In support of its motion, the Department alleged that Mr. Acosta, a licensed pickle card sales agent, had violated the Nebraska Pickle Card Lottery Act by selling one unit of pickle cards on behalf of St. Agnes Church to La Hacienda Mexican Restaurant, which did not hold a valid authorization to sell pickle cards on behalf of the organization. Mr. Acosta waived his right to a hearing and paid the proposed fine. An order dismissing the case was subsequently issued.



In the Matter of City of Alliance, Alliance, Docket #2003-015. The Department of Revenue initiated an action to fine the City of Alliance \$1000. In support of its motion, the Department alleged that the City had violated the Nebraska County and City Lottery Act by conducting its lottery at Toads Lounge, an unlicensed sales outlet location, for approximately nine months. The City waived its right to hearing and paid a negotiated fine of \$500. An order dismissing the case was subsequently issued.



In the Matter of Meredith Moreland, Bellevue, Docket #2003-008. The Department of Revenue alleged that Ms. Moreland had previously been convicted of a misdemeanor involving issuance of an insufficient funds check and as a result, sought to deny her county/city lottery worker license application. Following a



In the Matter of Lucky Keno, Inc., Gering, Docket #2003-016. The Department of Revenue initiated an action to fine Lucky Keno, Inc. \$1,000. In support of its motion, the Department alleged that Lucky Keno, Inc., a

licensed lottery operator, had violated the Nebraska County and City Lottery Act by conducting a lottery on behalf of the City of Alliance at Toads Lounge, an unlicensed sales outlet location, for approximately nine months. Lucky Keno, Inc. waived its right to a hearing and paid the proposed fine. An order dismissing the case was subsequently issued.



**In the Matter of 3231 Harney, Inc.,
Omaha, Docket #2003-017.**

The Department of Revenue initiated an action to fine 3231 Harney, Inc. \$250. In support of its motion, the Department alleged that 3231 Harney, Inc. had violated the Nebraska County and City Lottery Act by allowing its employee to perform work directly related to the conduct of the lottery without first completing, signing, and filing a lottery worker license application. 3231 Harney, Inc. waived its right to a hearing and paid the proposed fine. An order dismissing the case was subsequently issued.



**In the Matter of San Ann's, L.L.C.,
Fremont, Docket #2003-018.**

The Department of Revenue initiated an action to fine San Ann's, LLC \$500. In support of its motion, the Department alleged that San Ann's, LLC had violated the Nebraska County and City Lottery Act by allowing its employee to perform work directly related to the conduct of the lottery without first completing, signing, and filing a lottery worker license application and to play keno on credit while on duty. San Ann's waived its right to a hearing and paid the proposed fine. An order dismissing the case was subsequently issued.



**In the Matter of Zimmerer, Inc.,
Omaha, Docket #2003-019.**

The Department of Revenue initiated an action to fine Zimmerer, Inc., a licensed sales outlet location, \$100. In support of its motion, the Department alleged that Zimmerer, Inc. had violated the Nebraska County and City Lottery Act by allowing its employees to play keno while on duty. Zimmerer, Inc. waived its right to a hearing and paid the proposed fine. An order dismissing the case was subsequently issued.



**In the Matter of Holiday, Inc.,
Omaha, Docket #2003-042.**

The Department of Revenue alleged that the owner of Holiday, Inc. had previously been convicted of a misdemeanor involving possession of illegal gambling records and as a result, sought to deny Holiday, Inc.'s pickle card operator license renewal application. Prior to a hearing, Holiday, Inc. waived its right to an administrative hearing and agreed to serve a six-month waiting period before becoming licensed. Accordingly, an order dismissing the case was issued.



**In the Matter of Three Way, Inc.,
d/b/a Andy's Place, Omaha, Docket
#2003-043.** The Department of Revenue alleged that the owner of Three Way, Inc., d/b/a Andy's Place, had previously been convicted of a misdemeanor involving possession of illegal gambling records and as a result, sought to deny Three Way, Inc.'s pickle card operator license renewal application. Prior to a hearing, Three Way, Inc., d/b/a Andy's Place, waived its right to an administrative hearing and agreed to serve a six-month waiting period before becoming licensed. Accordingly, an order dismissing the case was issued.



**In the Matter of Omaha Peewees,
Omaha, Docket #2003-044.** The Department of Revenue alleged that Omaha Peewees had failed to demonstrate the ability, experience, or financial responsibility necessary to establish or maintain its bingo and pickle card activity and as a result, sought to deny the organization's license applications to conduct bingo and a lottery by the sale of pickle cards. Prior to a hearing, the organization voluntarily withdrew its request to redetermine the Department's intended denial, and an order dismissing the case was subsequently issued.



**In the Matter of American Legion
Post (ALP) 30, Omaha, Docket #2003-
045.** The Department of Revenue alleged that ALP 30 had failed to submit a complete and accurate annual report of its pickle card activities and as result, sought to deny ALP 30's license application to conduct a lottery by the sale of pickle cards. Following a formal hearing, ALP 30's application was approved pursuant to administrative order, with the condition that the organization work closely with the Department in developing comprehensive procedures for control of its pickle card operation.



**In the Matter of Lou's Grocery Store,
Eagle, Docket #2003-047.** The Department of Revenue initiated an action to fine Lou's Grocery Store \$100. In support of its motion, the Department alleged that Lou's Grocery Store had violated the Nebraska Pickle Card Lottery Act by possessing and selling pickle cards without holding a valid pickle card operator's license. Lou's Grocery Store paid a fine and waived its right to an administrative hearing. An order dismissing the case was subsequently issued.



**In the Matter of Finish Line, York,
Docket #2003-048.** The Department of Revenue initiated an action to fine Finish Line \$100. In support of its motion, the Department alleged that Finish Line had violated the Nebraska

Pickle Card Lottery Act by possessing and selling pickle cards without holding a valid pickle card operator's license. Finish Line paid a fine and waived its right to an administrative hearing. An order dismissing the case was subsequently issued.



In the Matter of Seven Mile Mini Mart, Columbus, Docket #2003-049.

The Department of Revenue initiated an action to fine Seven Mile Mini Mart \$100. In support of its motion, the Department alleged that Seven Mile Mini Mart had violated the Nebraska Pickle Card Lottery Act by possessing and selling pickle cards without holding a valid pickle card operator's license. Seven Mile Mini Mart paid a fine and waived its right to an administrative hearing. An order dismissing the case was subsequently issued.



In the Matter of Joe's Place, Dorchester, Docket #2003-050.

The Department of Revenue initiated an action to fine Joe's Place \$100. In support of its motion, the Department alleged that Joe's Place had violated the Nebraska Pickle Card Lottery Act by possessing and selling pickle cards without

holding a valid pickle card operator's license. Joe's Place paid a fine and waived its right to an administrative hearing. An order dismissing the case was subsequently issued.



In the Matter of Donald Rezabek, Dorchester, Docket #2003-051.

The Department of Revenue initiated an action to fine Mr. Rezabek, a pickle card sales agent, \$100. In support of its motion, the Department alleged that Mr. Rezabek had violated the Nebraska Pickle Card Lottery Act by selling one unit of pickle cards to an unlicensed pickle card operator. Mr. Rezabek paid a fine and waived his right to an administrative hearing. An order dismissing the case was subsequently issued.



In the Matter of American Legion Post (ALP) 264, Dorchester, Docket #2003-052.

The Department of Revenue initiated an action to fine ALP 264, a licensed pickle card organization, \$100. In support of its motion, the Department alleged that the organization had violated the Nebraska Pickle Card Lottery Act by selling, through its sales agent, one unit of pickle cards to an unlicensed pickle card operator. An order dismissing the case was subsequently issued.

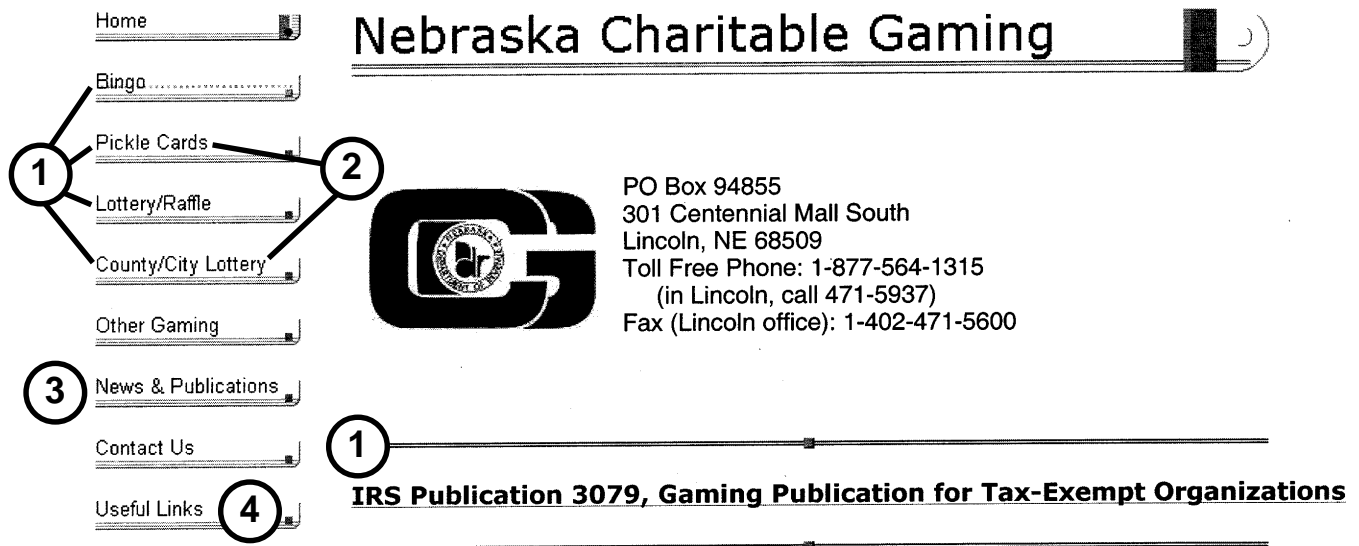
Additional Administrative Actions Concerning Late Filers

This chart is comprised of licensees which filed annual reports for the July 1, 2002 through June 30, 2003 reporting period later than allowed by statute and whose cases have been resolved by administrative determination. The Department filed motions to suspend the licenses of each of the following entities for a three-month period.

Name of Licensee	Dismissal/Order Date
Fraternal Order of Eagles 0147	September 22, 2003
Elks Lodge 1760	October 3, 2003
American Legion Post 172	September 3, 2003
American Legion Post 226	September 22, 2003
Veterans of Foreign Wars 03304	September 9, 2003
Bellwood Volunteer Fire Department	September 9, 2003
American Legion Post 103	September 3, 2003
Murray Rural Volunteer Fire Department	September 22, 2003
Homer Volunteer Fire Department	September 3, 2003
American Legion Post 105	October 3, 2003
Bladen Volunteer Fire Department	September 3, 2003
Fraternal Order of Eagles 3980	September 12, 2003
American Legion Post 112	October 2, 2003
Greenwood Volunteer Fire Department	September 9, 2003
Knights of Columbus 1238	October 31, 2003
AD Beemer Volunteer Fire Department	September 9, 2003
Fraternal Order of Eagles 3215	October 2, 2003
American Legion Post 302	September 9, 2003
Amherst Volunteer Fire Department	October 1, 2003
Grand Island Federation of Labor Building Assoc.	September 24, 2003
American Legion Post 124	September 12, 2003
Knights of Columbus 1123	September 24, 2003

The Department has issued 51 intent to deny letters and denied 21 licenses. There have been no orders issued to cease and desist from violating charitable gaming laws since July 2003.

Here's what our Web page looks like:



- ① It starts with a connection to the Internal Revenue Service's Publication 3079 which discusses federal income tax-exempt organizations. By clicking on the tab for the specific area of gaming you are interested in, you will find the applicable laws, regulations, information guides, revenue rulings, and forms.
- ② For those who have a need to access the approved product listing for pickle cards or the active lottery workers for county/city lottery, appropriate individuals may obtain a user name and password from us.
- ③ Under News and Publications, you can pull up each of our newsletters starting with June 1996. The News Releases start in 2000. And the first Annual Report is for 1997 which is the report for the fiscal year ended June 30, 1997.
- ④ Useful Links includes the Nebraska Secretary of State, the Nebraska Attorney General, the Nebraska Unicameral, and the Internal Revenue Service.

I've Got A Question ??????



Here are a few of the common questions we receive. If you have additional questions, please contact us. See page 2 for contacts and phone numbers.



Q Our organization is conducting a raffle using a special permit? Does this permit exempt us from paying the two percent lottery and raffle tax?

A No, a special permit only exempts your organization's raffle from (1) the 65 percent prize payout requirement, (2) the ten percent of gross proceeds expense limitation, and (3) the minimum 18 years of age participation restriction. All other provisions of the Nebraska Lottery and Raffle Act and accompanying regulations apply to a special permit lottery or raffle.

Q I recently attended a bingo game in Omaha and noticed that some players didn't have any bingo paper. They were using a device that looked like a desk top calculator. What's up with that?

A The bingo players you saw were using bingo card monitoring devices. A bingo card monitoring device is a technological aid that allows a bingo player to monitor up to 72 bingo cards purchased at the time and place of a licensed organization's bingo occasion. These devices have been in use in Nebraska for several years. Last year the Legislature made a statutory change to eliminate the need for paper bingo cards to be used in conjunction with the devices. Many organizations who now offer the option of using bingo card monitoring devices to their players have reported significant increases in their bingo receipts.

Q Our pickle card sales have really slumped. Any suggestions for increasing sales?

A Pickle cards are typically an impulse buy: that is, people don't usually leave their homes just to buy pickle cards. Therefore, it takes some marketing and salesmanship on your part to get people to spend money to help support the worthy Nebraska non-profits who sponsor pickle card sales. Selecting a variety of games and making your customers aware of the group that benefits from the pickle card sales may increase sales.

Q When I'm playing keno in some places, they select winning numbers irregularly. Don't they have to select winning numbers on a set schedule?

A No, winning keno numbers are not required to be selected at regular intervals. However, Nebraska law does prohibit selecting winning numbers more often than 5 minutes after the completion of the previous selection of winning numbers. If you feel your lottery operator or sales outlet location are not closing the game to select winning numbers as often as you would like and your requests at the game location are ignored, consider bringing this to the attention of the appropriate governing board of the county, city, or village who is the sponsor of the game. When a keno game is not run regularly, that probably causes reduced receipts for the county, city, or village.

County/City Lottery News Briefs

❑ **The communities approving a county/city lottery since our last newsletter include the Villages of Hadar and Malcolm on May 11, 2004.** We are not aware of any other elections since May of 2003 although a few communities have indicated interest in county/city lottery. If you know of other elections held on the approval of a county/city lottery, please notify our office.

❑ **New communities licensed since our last newsletter include the Cities of Wymore and Yutan and the Village of North Loup.** Wymore contracted with Beatrice's Big Red Lottery Services, Ltd. as their lottery operator and Yutan contracted with Fremont's Big Red Lottery Services, Ltd. as their lottery operator. However, both Wymore and Yutan have recently ceased offering keno. North Loup became a member of the Nebraska Cooperative Government which contracts with Lotto Nebraska. Also since our last newsletter, Eagle, Ericson, Greeley, Hubbell, Loup City, O'Neill, Palisade, and Valley have ceased their keno games. Although inactive for a time during the last year, Tecumseh has keno again. And Avoca is now licensed and conducting keno after being inactive since the spring of 1998.

❑ **The communities licensed through May 31, 2006 that are inactive as of this publication include Arthur County, the Cities of Cambridge, Loup City, Valley, Wymore, and Yutan, and the Villages of Duncan, Dwight, Eagle, Ericson, Hardy, Hubbell, Palisade, and Roca.** The last licensed lottery operator for Loup City was TD, Inc., for Valley was Val Keno, Inc., for Wymore was Beatrice's Big Red Lottery Services, Ltd., for Yutan was Fremont's Big Red Services, Ltd., and for the rest of these communities it was Lotto Nebraska.

New Forms for County/City Lottery (Keno) Annual Reporting

The current County and City Lottery Regulation 35-316.07 mandates that every keno operation be audited annually by an independent certified public accountant. Individuals affiliated with some of the counties, cities, and villages operating keno have questioned the necessity of an annual audit by an independent certified public accountant. As a result, the Department has drafted revisions to Regulation 35-616 Keno Audit to eliminate this requirement and to simplify the current compliance review procedures. We anticipate holding a regulation hearing later this year and plan to have the revised regulations operative by early next year. The proposed regulatory changes include:

- ✓ To facilitate our timely receipt of comparable annual information from each county, city, or village conducting keno, we have created the Nebraska County/City Lottery Annual Report, Form 35K. The new Form 35K will standardize the reporting of keno activity to Charitable Gaming and will replace the various financial and procedural reports currently being completed by independent certified public accountants. The Form 35K is intended to assure the counties, cities, and villages that all keno funds have been deposited and that appropriate disbursements have been made.
- ✓ The agreed-upon procedures currently being performed by an independent certified public accountant will be replaced with fewer compliance procedures that will not necessarily require an independent certified public accountant's involvement. Each county, city, or village will be required to perform these compliance procedures annually upon the conclusion of its fiscal year and a report summarizing the findings will be required to be submitted to the Department within 90 days of the end of the fiscal year. A county, city, or village with gross keno proceeds over \$1,000,000 annually will no longer be required to perform a quarterly compliance review of its keno operation for the Department's purposes, however, quarterly compliance reviews at the option of the county, city, or village are still encouraged.

- ✓ Each county, city, or village sponsoring a keno lottery will have the option of conducting the compliance procedures and/or preparing its own financial and compliance reports. The county, city or village may utilize their staff, a financial officer, an elected official, another individual, an independent accountant, or continue to contract with an independent certified public accountant to prepare the new financial reports and conduct the revised compliance procedures.

We have attempted to make these forms simple and easy to complete. To assist the county, city, or village in completing the required reports, we have also developed two sample forms, the Cash Summary Report and the Check Register. If either or both of these sample forms are used, the completion of the Form 35K should be easier

since the information on these sample forms flows into the Form 35K.

We have also revised the schedule which is required to be completed and filed with the Nebraska County/City Lottery Tax Return, Form 51C. The changes include reporting the information for each month although the return will still be filed and the tax paid for each calendar quarter.

Draft copies of the Form 35K and the tax return schedule are available from our office upon request. We will welcome any ideas you may have for improving the forms or procedures. Assuming the required regulatory revisions have been adopted, we intend to implement this group of new forms and requirements for the fiscal year beginning October 1, 2004.

If you have any questions or comments, please call or e-mail any of the audit staff at the following phone numbers or e-mail addresses:

Lincoln Office

Gene Weiner	(402) 471-5953	gweiner@rev.state.ne.us
Pete Andersen	(402) 471-5936	panderse@rev.state.ne.us
Monte D. Dietrick	(402) 471-5952	mdietric@rev.state.ne.us
James Jehorek	(402) 471-5963	jjehorek@rev.state.ne.us
Toll Free	1-877-564-1315	

Omaha Office

David Allen	(402) 595-3179	dallen@rev.state.ne.us
Paul Linnell	(402) 595-3059	plinnell@rev.state.ne.us
Toll Free	1-888-871-8960	

Keno Lottery Operators With Automated Ball Draw Systems

The Charitable Gaming Division has discovered that some confusion exists relative to the proper procedures which licensed county, city, or village keno operators are to utilize when verifying automated ball draw keno games. This article is intended to clarify the process.

County/city lottery regulations require the use of three people in the performance of a manual ball draw winning number selection and verification process (Reg 35-613.04). Since there is minimal human intervention associated with the operation of an automated ball draw system, Revenue Ruling 35-99-1 permits one person (keno manager or shift supervisor) to perform the winning number selection process.

An automated ball draw system reads an optical code on the keno ball representing the number of the ball selected and electronically transmits the ball number read to the computerized keno system instead of the keno manager or shift supervisor having to manually enter each number selected.

Does your keno location use an automated ball draw (AKVS) system? If so, you are to follow the requirements described in Revenue Ruling 35-99-1 regarding the use and operation of an automated ball draw system for the selection of winning numbers in a keno lottery. The state's concession to limit the number of required persons on duty from three to one places additional internal control requirements on the lottery operator. Reduction in staff overhead dictates game review in a timely, after-the-game fashion.

Section V of the ruling provides the Operational Requirements for Use of an Automated Ball Draw System. Subpart (9) of Section V states:

On a daily basis, all "no read" conditions and duplicate number occurrences for the previous day which required operator intervention to correct must be reviewed by keno management personnel to insure that the correction(s) made were appropriate. This review shall not be performed by the person(s) on duty for the day or time being evaluated. This review must be

accomplished by reviewing the video tape of the applicable game's draw and determining that the correction made was appropriate. Any discrepancies noted must be communicated immediately to the Department of Revenue, Charitable Gaming Division and the sponsoring county, city, or village. (Telephone, fax, e-mail or written communications are acceptable.) A written record of the daily review shall be maintained by keno management personnel and include the game numbers reviewed, the results of the review, and the signatures of the individual(s) who performed the review.

At subpart (11) of Section V of the ruling says:

On a daily basis, all "misread" conditions for the previous day which required operator intervention to correct must be reviewed by keno management personnel to insure that the correction(s) made were appropriate. This review shall not be performed by the person(s) on duty for the day or time being evaluated. This review must be accomplished by reviewing the video tape of the applicable game's draw and determining that the correction made was appropriate. Any discrepancies noted must be communicated immediately to the Department of Revenue, Charitable Gaming Division and the sponsoring county, city, or village. (Telephone, fax, e-mail or written communications are acceptable.) A written record of the daily review shall be maintained by keno management personnel and include the game numbers reviewed, the results of the review, and the signatures of the individual(s) who performed the review.

Further, subpart (12) of Section V of the ruling states:

On a daily basis, keno management personnel must verify the game draw for a minimum of 10 percent of the games run for the previous day to determine if any undetected "misread" conditions or other ball draw irregularities occurred during that day's activity. This review must be accomplished by reviewing the video tape of the game draw and

comparing this information to the winning numbers recorded by the computerized keno system for that game. This review shall not be performed by the person(s) on duty for the day or time being evaluated. Any undetected "misread" conditions or ball draw irregularities noted must be communicated immediately to the Department of Revenue, Charitable Gaming Division and the sponsoring county, city, or village. A written record of the daily review shall be maintained by keno management personnel and include the game numbers reviewed, the results of the review, and the signatures of the individual(s) who performed the review.

Please pay specific attention to the video tape review requirement by keno management personnel OTHER than the person who was on duty for that time period of all "no read," "misread" conditions and the minimum ten percent DAILY review of the games played. If your location has only one keno supervisor/manager licensed to run the keno games, the review requirement will fall back on the lottery operator.

Segregation of duties is a basic internal control procedure. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Segregation of duties provides two benefits:

- 1** a deliberate fraud is more difficult because it requires collusion of two or more persons, and
- 2** it is more likely that innocent errors will be found.

At the most basic level, it means that no single individual should have control over two or more phases of an operation. Management should assign responsibilities to ensure a cross check of

duties. In summary, it is contrary to Department policy for the same person who is responsible for running the keno game to also be the person reviewing it.

Department inspectors, investigators and auditors will routinely ask for this daily review information to confirm that proper verification is being done as required by law. Failure to record this data could result in an administrative fine or other sanction being levied against the keno operator and/or sales outlet.



As a reminder, before the start of each keno day, verify that all 80 keno balls are present. They should be clean, and free from cracks or dents, any of which can affect the randomness of a ball draw

(Regulation 613.04E).

No matter how diligent you may be in checking your equipment and following appropriate maintenance schedules, and insuring that your staff follows appropriate procedures, problems are likely to occur on occasion. How these are reported (in a timely fashion) reflects on the credibility of your game. **If there's a problem, we want it remedied as quickly as possible!**

If you desire a complete copy of Revenue Ruling 35-99-1, it can be found on our Web site under "County/City Lottery" or call us to have one mailed to you. If you have any questions regarding the AKVS system, the regulatory requirements associated with its use, or would like our assistance in establishing controls for following these procedures, please contact *Steve Schatz* at (402) 471-5943 or *Kim Nelson* at (402) 471-5947.

Gaming Calendar

September 2004 30 Licenses for Bingo, Pickle Card, and Lottery/Raffle issued for the 2002-2004 Biennial License Period Expire at Midnight. Last Day of Quarter (July 1 through September 30)	January 2005 5 2005 Legislative Session begins (90-day session with last day anticipated in June) 17 All State Offices Closed - Martin Luther King Day 30 Form 51 Tax Return and Applicable Schedule(s) Due. Must be postmarked no later than January 30. Organization Quarterly Reports Due. Form 35C for bingo activities must be postmarked by January 30.
October 2004 1 First day of 2004-2006 Biennial License Period for those issued licenses expiring September 30, 2006. This includes licenses issued for Bingo, Pickle Card, and Lottery/Raffle to specified applicants. 11 All State Offices Closed - Columbus Day 30 Form 51 Tax Return and Applicable Schedule(s) Due. Must be postmarked no later than October 30. Organization Quarterly Reports Due. Form 35C for bingo activities must be postmarked by October 30.	February 2005 21 All State Offices Closed - Presidents' Day
November 2004 2 Statewide General Election Day 11 All State Offices Closed - Veterans' Day 15 2005 Pickle Card Dispensing Device Registration Renewals Due. Applications to renew registration of pickle card dispensing devices must be postmarked by November 15. 25- All State Offices Closed - Thanksgiving Holiday 26	March 2005 31 Last Day of Quarter (January 1 through March 31)
December 2004 24 All State Offices Closed - Holiday for Christmas Day 31 2004 Pickle Card Dispensing Device Registrations and Decals expire at Midnight. Organizations and pickle card operators must have a 2005 decal affixed to any dispensing device in use after midnight or cease using such device. 2004 Mechanical Amusement Device Licenses and Decals expire at Midnight. Operators and distributors must have a 2005 decal affixed to any mechanical amusement device in use after midnight or cease using such device. Last Day of Quarter (October 1 thru December 31) All State Offices Closed - Holiday for New Year's Day	April 2005 1 County/City Lottery Worker License Renewal Applications Due. County/city lottery workers must have their license renewal applications postmarked no later than April 1, 2005. 29 All State Offices Closed - Arbor Day 30 Form 51 Tax Return and Applicable Schedule(s) Due. Must be postmarked no later than April 30. Organization Quarterly Reports Due. Form 35C for bingo activities must be postmarked by April 30.
	May 2005 30 All State Offices Closed - Memorial Day 31 Licenses for All County/City Lottery Workers for the 2003-2005 License Period Expire at Midnight.
	June 2005 1 First day of 2005-2007 Biennial License Period for County/City Lottery Workers. 30 End of 2004-2005 Annual Reporting Period Last Day of Quarter (April 1 through June 30)



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